

NEW APPLICATION  
ORIGINAL



RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2006 FEB -1 P 3:39

AZ CORP COMMISSION  
DOCUMENT CONTROL

E-04100A-06-0058

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST TRANSMISSION COOPERATIVE,  
INC. FOR AUTHORIZATION TO INCUR DEBT  
AND SECURE LIENS IN ITS PROPERTY TO  
FINANCE ITS CONSTRUCTION WORK PLAN

DOCKET NO. E-04100A-\_\_-\_\_

APPLICATION

Pursuant to A.R.S. § 40-301, *et seq.*, Southwest Transmission Cooperative, Inc.

("SWTC" or the "Cooperative") in support of its Application states as follows:

1. SWTC is an Arizona non-profit electric transmission cooperative which supplies the transmission service needs of its Class A and Class B members.

2. The Cooperative's Board of Directors is comprised of representatives of its members. Attached hereto as Exhibit A is a Board resolution approving the financing requested in this Application.

3. SWTC has developed its Construction Work Plan for 2005-2008 (the "CWP"). The CWP identifies necessary improvements, upgrades and replacements to its transmission system which are anticipated to be required over the next three years. Attached hereto as Exhibit B is a schedule providing additional detail on the facilities which currently comprise the CWP.

4. By this Application, SWTC seeks Commission approval to obtain both interim and long-term financing for the CWP. Because federal permanent financing may not be available in the near future, SWTC asks that the Commission authorize it (a) to secure interim

CWP financing in an amount not to exceed \$58.015 million from the National Rural Utilities Cooperative Finance Corporation (“CFC”) and (b) to secure a permanent loan in an amount not to exceed \$58.015 million from the Rural Utilities Service/Federal Financing Bank long-term loan program when available to repay and replace the CFC interim financing.

5. For the reasons discussed below, the Cooperative also requests that the Commission authorize SWTC to change the specific facilities to be financed in the CWP without the necessity of filing an Amended Application so long as the total amount financed remains below \$58.015 million. The planning, analysis and construction of the facilities comprising the CWP takes more than four years. Three of SWTC's Class A members serve rapidly growing areas of the state. While both the members and the Cooperative attempt to anticipate accurately future transmission needs, the reality is that the CWP is constantly re-evaluated as costs of projects are finalized, needs change and demands grow.

6. For example, growth not anticipated in an area when the CWP is formulated may create the need for a new substation or line. Conversely, over the multi-year planning horizon of the CWP, certain facilities may be delayed or actual costs may come in lower than estimated costs—thus allowing other projects to be constructed while still remaining within the approved debt limit. A very recent example was Decision No. 68179 in September of last year in which the Commission approved SWTC's request to use an earlier financing approval to fund construction of the Sandario line and substation project. However, this required the preparation of an amended application, review/preparation of a Staff report and proposed opinion and Open Meeting action by the Commission—a process which took slightly more than six months.

7. To streamline this process and conserve both the Commission's and Cooperative's time and resources, SWTC would request that the Commission authorize it to

1 borrow up to \$58.015 million on an interim and permanent basis to fund its CWP "as the CWP  
2 may be amended." This would still limit borrowing to the approved amount, but allow the  
3 Cooperative flexibility to adjust specific projects in order to react to changing circumstances on  
4 its system and within its members' service territories.

5 WHEREFORE, having fully stated its Application, SWTC requests that the Commission  
6 enter its Order:

7 A. Authorizing SWTC to secure interim financing in an amount not to exceed  
8 \$58.015 million from the CFC to finance its 2005-2008 Construction Work Plan as the same may  
9 be amended;

10 B. Authorizing SWTC to secure a permanent long-term loan from the Rural Utilities  
11 Service/Federal Financing Bank guaranteed loan program, when available, to finance its  
12 2005-2008 Construction Work Plan, as the same may be amended, in an amount not to exceed  
13 \$58.015 million to replace the interim financing;


14 C. Authorizing SWTC to grant liens in its property as required in order to secure the  
15 borrowings authorized; and

16 D. Authorizing SWTC to engage in any transactions and to execute any documents  
17 necessary to effectuate the authorizations granted.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24


RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of February, 2006.

GALLAGHER & KENNEDY, P.A.

By   
Michael M. Grant  
Todd C. Wiley  
2575 East Camelback Road  
Phoenix, Arizona 85016-9225  
Attorneys for Southwest Transmission  
Cooperative, Inc.

**Original and thirteen copies** filed this  
1<sup>st</sup> day of February, 2006, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

  
15169-8/1323937

**EXHIBIT A**

## **SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

The following resolution was adopted at a **regular meeting** of the Board of Directors of Southwest Transmission Cooperative, Inc. (SWTransco), held in Benson, Arizona on April 14, 2005.

### **RESOLUTION**

**WHEREAS**, the Management of Southwest Transmission Cooperative, Inc. (SWTransco) has recommended and the Board of Directors has previously approved SWTransco's 2005-2008 Construction Work Plan (CWP); and

**WHEREAS**, the Management of SWTransco recommends the Board of Directors authorizes the funding of the 2005-2008 CWP through the acquisition of interim financing with the National Rural Utilities Cooperative Finance Corporation (CFC) until permanent financing can be obtained through the Rural Utilities Service (RUS), Federal Financing Bank (FFB) loan program; and

**WHEREAS**, it has been determined that the aggregate loan amount for Budget Purpose # 2 projects totals \$58,015,000; and

**WHEREAS**, as required by Arizona statutes, SWTransco is required to obtain the necessary approvals from the Arizona Corporation Commission (ACC) prior to issuing or otherwise acquiring new long term debt;

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with the Rural Utilities Service for a guaranteed Federal Financing Bank loan in the amount of \$58,015,000 for Budget Purpose # 2 (transmission) related projects to be used to finance the capital facilities as specified in the 2005-2008 Construction Work Plan; and

**BE IT FURTHER RESOLVED**, that the RUS guaranteed FFB loan shall bear a maturity date not to exceed December 31, 2035; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with National Rural Utilities Cooperative Finance Corporation requesting interim financing, including, if necessary a lien accommodation from RUS until permanent financing is obtained through the RUS; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to seek and otherwise obtain the necessary approvals from the Arizona Corporation Commission to acquire additional long term debt in the aggregate amount of \$58,015,000 to fund the Cooperative's 2005-2008 CWP; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes its officers and the President and CEO of Southwest Transmission Cooperative, Inc., to execute and attest to all necessary papers, documents, and applications related to the loan application; and

**BE IT FURTHER RESOLVED**, that the Chairman of the Board of Directors, any Corporate Officer and/or President and CEO are hereby authorized on behalf of SWTransco to: (1) execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing notices, in the form of such instruments attached to the note payable to FFB; and (2) to specify information and select the most appropriate and economical repayment option as provided in such instruments; and

**BE IT FURTHER RESOLVED**, that the Board of Directors authorizes the RUS to release the appropriate information and data relating to the application to the FFB and any supplemental lenders as may be necessary in connection with the execution of the loan application or the issuance of debt through the advance requests, maturity extensions, prepayment and/or refinancing notices; and

**BE IT FURTHER RESOLVED**, that each of the following individuals whose signatures appear below, be and hereby, are authorized to enter into and execute, in the name and on the behalf of SWTransco any such agreements and/or amendments to existing agreements necessary or appropriate to give effect to the purposes and intent of the foregoing resolutions:

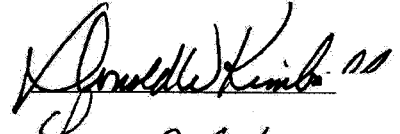
OFFICER

NAME

SIGNATURE

President & CEO

Donald W. Kimball



Senior Vice President & COO

Larry D. Huff

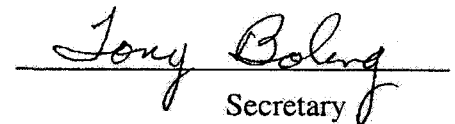


Chief Financial Officer

Dirk C. Minson



I, Tony Boling, do hereby certify that I am Secretary of SWTransco, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on April 14, 2005.

  
Secretary

(seal)

**EXHIBIT B**



Southwest Transmission Cooperative, Inc. C-8 Loan

740C		Project Name	Project No.	Total Est.
800	Transmission Lines			
	800.1	Saguaro - Red Rock 230kV Line	5000608011	\$2,343,955.00
	800.3	Apache/Hayden-San Manuel Interconnection (115kV Line)	5000566011	\$2,992,473.00
	800.4	Central AZ Project (CAP) - Valencia 115kV Line	5000604011	\$1,620,914.00
	800.5	Riveria Second 230kV Line	5000742011	\$1,949,774.00
	800.6	Safford Phelps Dodge Line	500743011	\$1,086,979.00
	800.7	Palo Verde/Hassayampa to Pinal West Line (participation)	5000607011	\$3,350,658.00
900	New Substations, Switching Stations			
	900.1	Saddlebrooke Ranch Substation (including APS tap)	5000470010	\$2,811,856.00
	900.2	Pinal West Substation (participation)	5000607010	\$3,310,833.00
	900.3	Red Rock Substation	5000608010	\$2,947,653.00
	900.5	Apache/Hayden - San Manuel Interconnection Switchyard	5000566010	\$3,067,757.00
	900.6	Termination Facilities for Central Arizona Project (CAP) - Valencia 115kV line - CAP End	5000604012	\$1,338,882.00
	900.7	Riveria Tap Switchyard (tap of Western's Parker-Davis No. 1 Line)	5000742012	\$2,977,357.00
	900.8	Hackberry Two Switchyard Interconnection	5000743010	\$2,061,230.00
1000	Line and Station Changes			
	1000.1	Kartchner Substation Upgrade	5000601010	\$1,991,783.00
	1000.2	Kingman Tap Breaker 2752 & Relay Replacement (Western Area Power Administration)	5000740010	\$166,000.00
	1000.3	Anza System Upgrade (SCE adds capacitor bank at their Idyllwild Substation)	5000201010	\$400,000.00
	1000.4	Marana Tap Upgrade	5000602010	\$2,067,783.00
	1000.5	Bicknell Substation Upgrade	5000603010	\$4,330,266.00
	1000.6	Apache Spare 115/69kV Transformer Permanent Installation	5000684010	\$1,182,228.00
	1000.7	New Valencia Switchyard for Central Arizona Project Line	5000604010	\$1,422,729.00
	1000.8	Dos Condados Substation Upgrade	5000605010	\$2,919,789.00
	1000.9	Sahuarita Substation Upgrade	5000606010	\$2,131,953.00
	1000.10	Bicknell 230/115kV & 345/230kV Transformer Panel upgrades	5000685010	\$30,000.00
	1000.11	Vail -Bicknell Relay Panel Upgrade	5000686010	\$15,000.00
	1000.12	Bicknell-Vail Relay Panel Upgrade	5000687010	\$15,000.00
	1000.13	Redtail 69kV Panels Upgrade	5000688010	\$40,000.00
	1000.14	Redtail Transformer Panel Upgrade	5000689010	\$30,000.00
	1000.15	Morenci-Greenlee Line Relay Upgrade	5000690010	\$30,000.00
	1000.16	Pantano Transformer Panel Upgrade	5000691010	\$15,000.00
	1000.17	Dos Condados 69kV Panel Upgrade	5000692010	\$25,000.00
	1000.18	Dos Condados Transformer Panels Upgrade	5000693010	\$20,000.00
	1000.19	Riveria 69kV Panels Upgrade	5000694010	\$80,000.00
	1000.20	Apache 69kV Panels Upgrade	5000695010	\$80,000.00
	1000.21	San Rafael 69kV Panels Upgrade	5000696010	\$60,000.00
	1000.22	Kartchner 69kV Panels Upgrade	5000697010	\$60,000.00
	1000.23	Redtail 230kV Oil Circuit Breaker (OCB) Replacement	5000698010	\$200,000.00

Southwest Transmission Cooperative, Inc. C-8 Loan

	1000.25	Pantano 230kV Oil Circuit Breaker (OCB) Replacement	5000699010		\$200,000.00
	1000.25	Dos Condados 230kV Oil Circuit Breaker (OCB) Replacement	5000700010		\$300,000.00
	1000.26	Riviera Substation Upgrade Project	5000742010		\$3,487,194.00
	1000.27	Westwing Tranformer Relocation (participation)	5000744010		\$750,000.00
1101		Communications & SCADA			
	1101.1	Bullhead Substation Meter/RTU Upgrade	5000701010		\$20,000.00
	1101.2	Bill Williams Meter/RTU Upgrade	5000702010		\$20,000.00
	1101.3	Wellfield Meter/RTU Upgrade	5000703010		\$20,000.00
	1101.4	Kingman Tap Meter/RTU Upgrade	5000704010		\$20,000.00
	1101.5	Round Valley Meter/RTU Upgrade	5000705010		\$20,000.00
	1101.6	Romney Meter/RTU Upgrade	5000706010		\$30,000.00
	1101.7	Stewart Meter/RTU Upgrade	5000707010		\$20,000.00
	1101.8	Mortenson Meter/RTU Upgrade	5000708010		\$10,000.00
	1101.9	Davis Dam to Riviera Communications Upgrade	5000709010		\$80,000.00
	1101.10	Riviera to Davis Dam Communications Upgrade	5000710010		\$80,000.00
	1101.11	Greenlee to Morenci (SWTransco) Communications Upgrade	5000711010		\$80,000.00
	1101.12	Morenci (SWTransco) to Greenlee Communications Upgrade	5000712010		\$80,000.00
	1101.13	Guthrie Peak to Romney Digital Radio Upgrade	5000713010		\$80,000.00
	1101.14	Romney to Guthrie Peak Digital Radio Upgrade	5000714010		\$80,000.00
	1101.15	Willcox to Stewart Digital Radio Upgrade	5000715010		\$80,000.00
	1101.16	Stewart to Willcox Digital Radio Upgrade	5000716010		\$80,000.00
	1101.17	Hualapai to Round Valley Digital Radio Upgrade	5000717010		\$80,000.00
	1101.18	Round Valley to Hualapai Digital Radio Upgrade	5000718010		\$80,000.00
	1101.19	Hualapai to Bill Williams Digital Radio Upgrade	5000719010		\$80,000.00
	1101.20	Bill Williams to Hualapai Digital Radio Upgrade	5000720010		\$80,000.00
	1101.21	Hualapai to Kingman Tap Digital Radio Upgrade	5000721010		\$80,000.00
	1101.22	Kingman Tap to Hualapai Digital Radio Upgrade	5000722010		\$80,000.00
	1101.23	Hualapai to Wellfield Digital Radio Upgrade	5000723010		\$80,000.00
	1101.24	Wellfield to Hualapai Digital Radio Upgrade	5000724010		\$80,000.00
	1101.25	Texas Canyon T1 Capacity Upgrade	5000725010		\$65,000.00
	1101.26	Vail T1 Capacity Upgrade	5000726010		\$50,000.00
	1101.27	Substation Networking	5000727010		\$200,000.00
	1101.28	Substation Networking	5000728010		\$200,000.00
	1101.29	Substation Networking	5000729010		\$200,000.00
	1101.30	Substation Networking	5000730010		\$200,000.00
	1101.31	Vail to Bicknell Digital Radio Upgrade	5000731010		\$30,000.00
	1101.33	Microwave Network Manager Upgrade	5000741010		\$60,000.00
1102		Line and Substation Ordinary Replacements			
	1102.1	2005 Transmission Renewals/Replacements	5000732010		\$400,000.00
	1102.2	2006 Transmission Renewals/Replacements	5000733010		\$400,000.00
	1102.3	2007 Transmission Renewals/Replacements	5000734010		\$400,000.00
	1102.4	2008 Transmission Renewals/Replacements	5000735010		\$400,000.00

Southwest Transmission Cooperative, Inc. C-8 Loan

1102.5	Pantano Battery & Charger Replacement	5000736010		\$15,000.00
1102.6	Marana Battery & Charger Replacement	5000737010		\$15,000.00
1102.7	Redtail Battery & Charger Replacement	5000738010		\$15,000.00
1102.8	Riviera Battery & Charger Replacement	5000739010		\$15,000.00
		Total		\$58,015,046.00